

### Lomiko Metals Inc. (TSXV: LMR) – Initiating Coverage – Underexplored Property Adjacent to Historic Gold Producer; Recently Acquired Lithium Properties

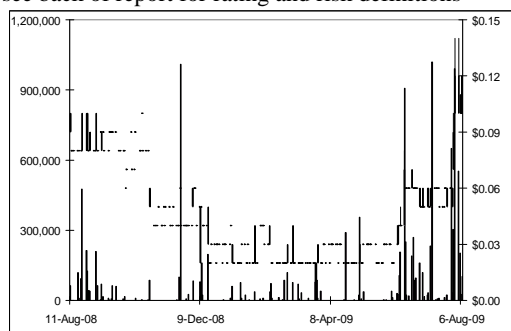
Sector/Industry: Junior Mining

[www.lomiko.com](http://www.lomiko.com)

#### Market Data (as of August 10, 2009)

Current Price	\$0.11
Fair Value	N/A
Rating*	N/A
Risk*	5 (Highly Spec)
52 Week Range	\$0.01 - \$0.14
Shares O/S	30,480,112
Market Cap	\$3.35 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	3.08
YoY Return	10.0%
YTD TSXV	-56.8%

\*see back of report for rating and risk definitions



#### Investment Highlights

- Lomiko Metals Inc (“Lomiko” “LMR” “the company”) is a Delta, B.C. based junior exploration company focused on the acquisition and exploration of mineral mining projects.
- The company holds a 100% interest in their Vines Lake property which is surrounded on three sides by Hawthorne Gold Corporation (TSXV: HGC) land containing the past producing Table Mountain mine.
- The company holds 50% interest in eight lithium mining claims in Chile and recently entered an agreement to acquire the remaining 50% interest.
- Lomiko’s projects are located adjacent to potentially near-term producers; this implies that the value of its projects could positively benefit from the advancement of its neighboring projects.
- At the end of April 2009, the company had cash and working capital of \$0.23 million and \$0.23 million, respectively.
- Due to the early stage nature of its projects, we are initiating coverage on Lomiko with no Rating or Fair Value.

#### Risks:

- The company’s projects are in very early stages and have no resource estimates.
- The success of drilling, project development, and resource expansion are important long-term success factors for the company.

#### Key Financial Data (FYE - July 31)

(C \$)	2007	2008	2009 (9 mo)
Cash	68,968	362,403	226,175
Working Capital	64,676	400,997	228,271
Mineral Assets	132,669	588,088	860,124
Total Assets	204,754	1,001,777	1,089,631
Net Income (Loss)	(110,806)	(130,856)	(363,890)

*Lomiko Metals is a junior mining company focused on the exploration of its 100% owned Vines Lake gold property located in the Cassiar region of northern B.C. The company holds 50% interest in eight lithium mining claims in Chile and recently entered an agreement to acquire the remaining 50% interest.*

**Company Overview** Lomiko Metals is a junior exploration company based out of Delta, British Columbia. The company holds a 100% interest in their Vines Lake gold property located in the Cassiar region of northern B.C. The company holds 50% interest in eight lithium mining claims in Chile and recently entered an agreement to acquire the remaining 50% interest. The company is currently focused on executing exploration programs at Vines Lake. Lomiko's projects are located adjacent to potentially near-term producers; this implies that the value of its projects could positively benefit from the advancement of its neighboring projects.

**Corporate History** The company has undergone a number of identity changes since its inception in 1987. Originally founded as The Conac Group, and later called Conac Software Corp, the company focused on software development for construction management. The company sold its software asset rights in 2004, and changed its name to Lomiko Enterprises Ltd. in November 2004, and again to Lomiko Resources in July 2006, when the company entered the mining sector. Most recently, the company has modified its name to Lomiko Metals Inc.

**PROPERTIES** **Property Overview:** The Vines Lake property is located approximately 10 kilometers southeast of the town of Cassiar, British Columbia and consists of three contiguous claim units totaling 1,196 ha. The property is surrounded on three sides by Hawthorne Gold Corporation's Cassiar Gold Camp which hosts the Taurus deposit and past producing Table Mountain deposit. We believe potential exists for the property to host porphyry and skarn type deposits, and/or high grade gold veins such as those being delineated at Table Mountain. Historically, the Cassiar Gold District has produced 423,500 oz of gold.

**Vines Lake**

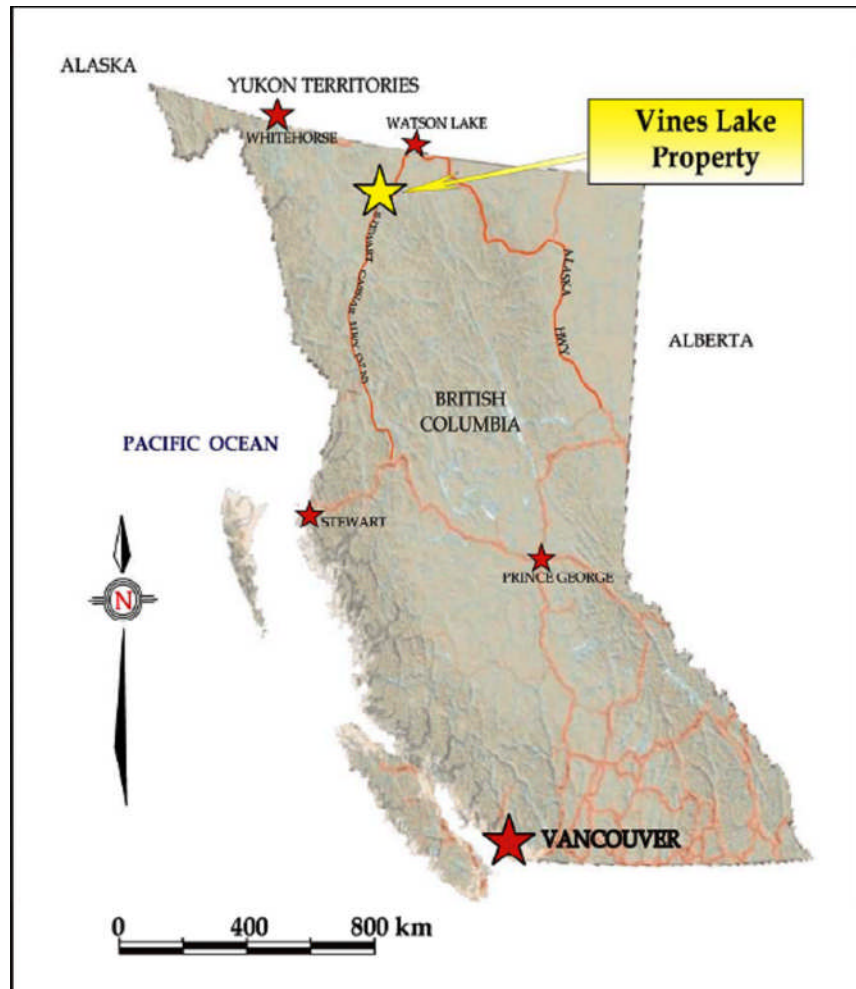
**Ownership:** 100% ownership in the property was acquired on May 23, 2006, from the current CEO Paul Gill (the "Vendor"), for \$10,000 cash and 0.12 million common shares at a price of \$0.50 per share. The vendor retains a 2% Net Smelter Return.

**Location/Accessibility/Infrastructure:** As noted above, the Vines Lake property is located in the Cassiar Gold District of the Liard Mining District and is surrounded on three sides by Hawthorne owned property. Highway 37N bisects the property north to south providing central access to the property. Watson Lake, Yukon Territories, the nearest source of general supplies and services, is approximately 200km north on Highway 37N (Figure 1). Power for the region has historically been (and for the foreseeable future will be) produced via privately owned diesel generators.

Four-wheel-drive all terrain vehicles and boats are required to access areas of the property not immediately proximal to the highway. The author of the recent 43-101 technical report on the Vines Lake Property states that the main access road to the mine workings on Hawthorne's property passes through the south east corner of the Vines Lake Property. The company could possibly obtain permission from Hawthorne to utilize this road for access to the southeast portion of their property.

The property has varying physiography that ranges from lacustrine, to swampy areas separated by low hills, to steeply rising valley slopes. Due to these factors, minimal infrastructure, and a short exploration season from May to September, we anticipate exploration drilling on the more remote areas of the property will be challenging. However,

we feel that exploration will benefit from the advanced exploration being performed by Hawthorne.



*Figure 1: Vines Lake Property Location*  
 ( Source: Technical Report on the Vines Lake Property, Garth Kirkham, 2009)

**Historic Exploration/Production:** The property has no history prior to the acquisition of the claims via on-line staking by Paul Gill on February 18, 2006.

*Lomiko Exploration*

In July 2008, the company contracted Canadian Mining Geophysics (“CMG”) to complete an airborne geophysical survey of the property. The survey completed 327 line-kilometers and consisted of total field magnetics and VLF EM.

**Geology and Mineralization:**

The property is situated on the arctic slope and covers rocks of the Sylvester Allocthon, the Cassiar Terrane and the Cassiar Batholith. For the purposes of mine geology during past production at Table Mountain, the rocks of the Cassiar area were divided into three thrust sheets; lower, middle and upper. As seen in Figure 2 (next page), the lower thrust sheet

underlies the eastern portion of the property thus making it the most relevant sheet.

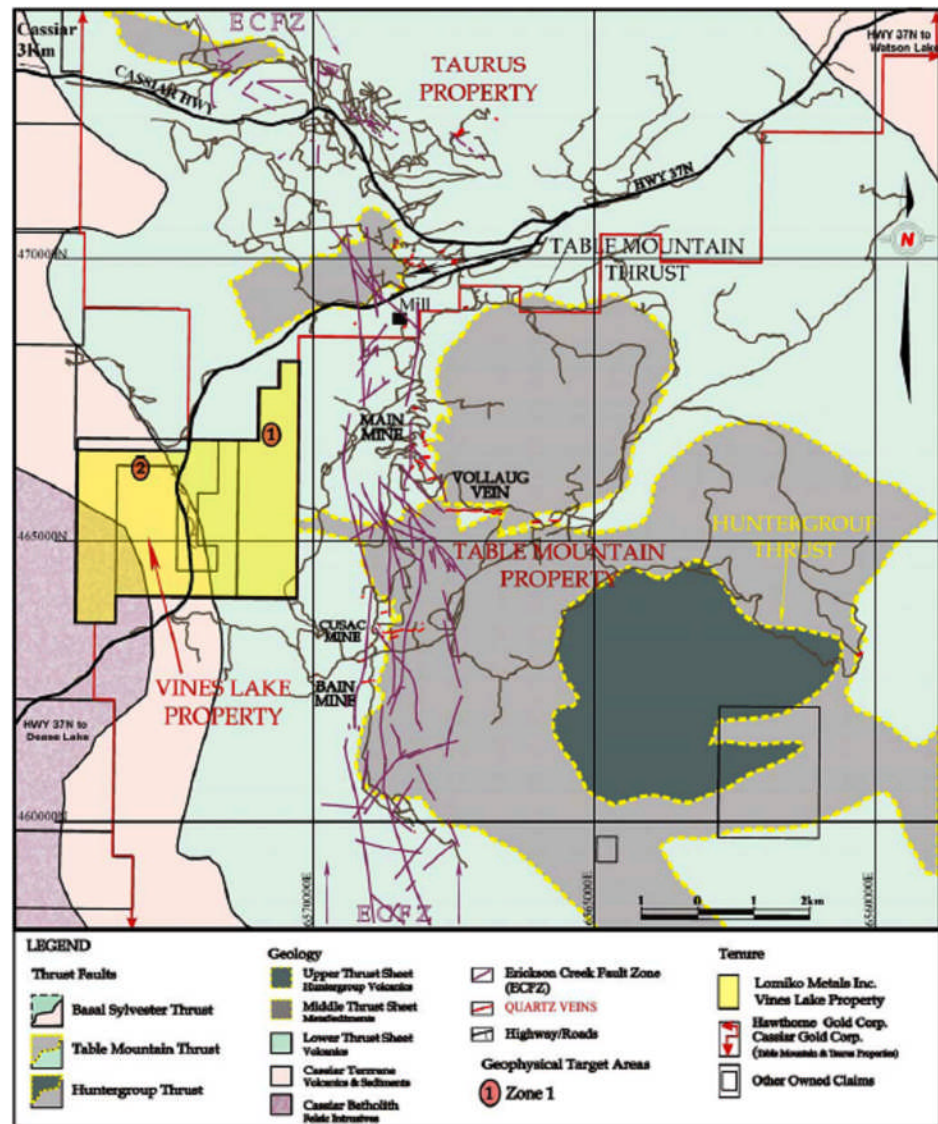


Figure 2: Generalized Geological Map (Source: Kirkham, 2009)

At Hawthorne's Taurus deposit, productive veining is associated with the upper subunit of the lower thrust sheet – the rocks are massive and pillowed basalt with rare chert intercalations (Kirkham, 2009) – and a north-south trending zone of faulting known as the Erickson Creek Fault Zone (ECFZ). We feel that the absence of the ECFZ on the property, but proximal location, implies that potential productive mineralization on the eastern portion of the property rests on the discovery of localized hidden intrusives and transcurrent faults within the upper subunit.

The presence of the Cassiar Batholith and Cassiar Terrane provide potential for additional deposit types such as intrusion driven hydrothermal emplacement deposits, intrusion related skarn type, and porphyry-type deposits (Kirkham, 2009).

Figure 3 displays total field magnetics derived from the CMG geophysical survey and identifies two higher priority targets – Zone 1 and Zone 2 – that warrant further investigation. East-west structures are represented by green dashed lines, north-south structures by red dashed lines and north-east-southwest by blue dashed lines.

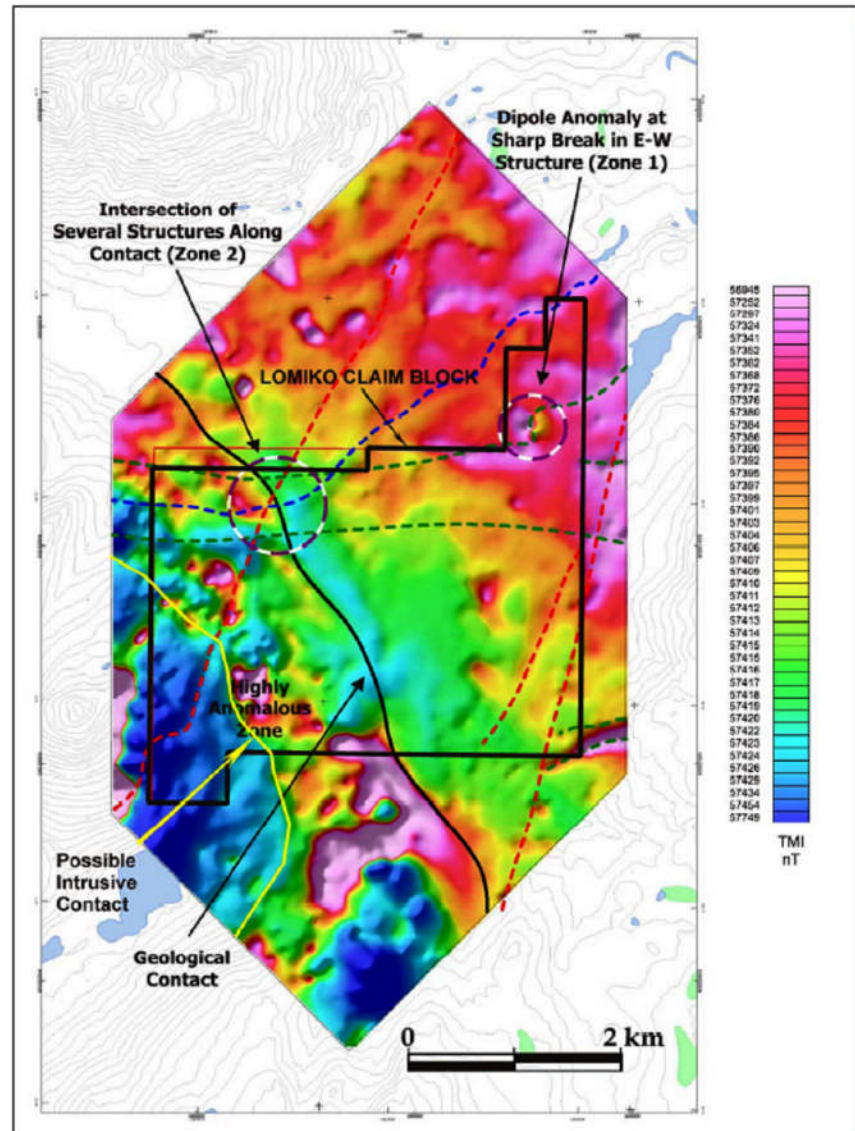


Figure 3: Total Field Magnetics with Identification of Features and Anomalies  
(Source: Kirkham, 2009)

**Metallurgy:** At this early stage of exploration, no significant mineralization has been identified; no metallurgical testing has been performed to date.

**Resource Estimate:** There is no resource estimate for the Vines Lake property due to the project's early exploration status.

**Current Status:** Subject to financing, the company intends on completing small scale

ground exploration to further investigate the Zone 1 and 2 targets.

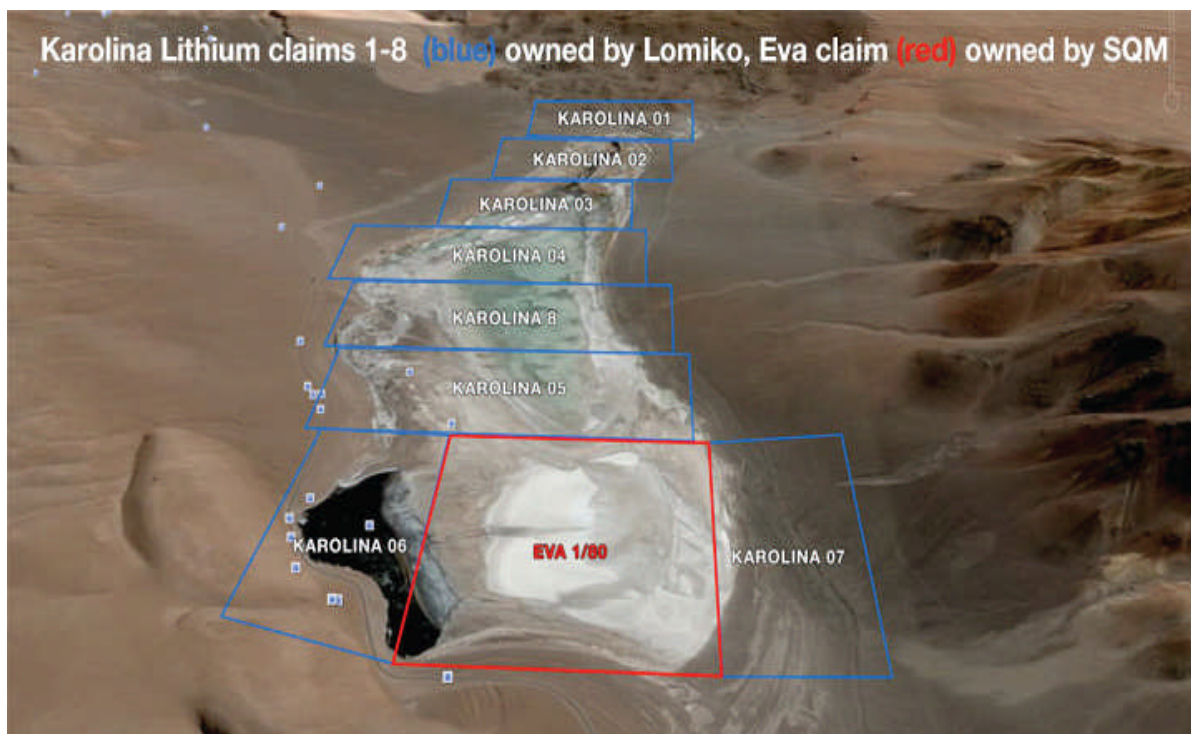
**We feel this asset would be best utilized by proving the presence of mineralization and subsequently, joint venture or vend the property to an interested party.**

### **Lithium Property - Chile**

The company recently purchased a 50% interest in 8 claims covering 1,900 hectares of the Chilean Salar (Salt Lake) known as Salar de Aguas Calientes. The company subsequently entered an agreement whereby it can obtain the remaining 50% interest in the claims. The initial 50% interest was purchased for \$30,000, while the remaining 50% interest may be acquired by: paying an initial \$10,000 to the owner; completing a 43-101 technical report on the property within three months of signing the agreement (signed June 22, 2009); upon approval of the technical report, the company will pay the owner \$55,000, and issue 1 million shares in four staged payments.

Salar de Aguas Calientes is one of several salt lakes in northeastern Chile. Salar de Atacama, which hosts the world's largest known commercially exploitable lithium reserve, is located approximately 70 km to the west. Exploitable lithium reserves at Salar de Atacama are estimated at 40 million metric tonnes of lithium carbonate equivalent.

According to management, the company's claims are well located adjacent to a main sealed highway and surround a mining concession held by Sociedad Quimica y Minera de Chile S.A. ("SQM," NYSE: SQM). SQM owns a lithium production facility within the central area of Salar de Atacama and is the world's largest producer of lithium from brine.



*Figure 4: Lomiko and SQM claims within the Salar de Aguas Calientes.  
(Source: Lomiko Metals Inc.)*

Positive aspects of the company's claims include:

- Salar de Aguas Calientes has surface brines known to contain lithium
- According to the company, underlying brines have excellent porosity and transmissivity
- Lithium production facilities are within 70 km
- Claims are located approximately 320 km from the port of Antofagasta

Possible risks to consider include:

- SQM holds a primary claim in the Salar de Aguas Calientes but has chosen to focus on its other lithium projects at this time. However, we believe Lomiko could benefit should SQM decide to advance its project within the Salar de Aguas Calientes.
- The aquifer depth and water table levels are not known at this time and could possibly limit the future productivity of the company's claims

### **Management**

**Paul Gill, President, CEO and Director** – Mr. Gill is the President of AJS Management Inc., a management consulting company. He has been involved in the strategy, planning and implementation phases of re-structuring organizations. Until October 2006, Mr. Gill was involved in the dynamic growth stage of Norsemont Mining. During his tenure with Norsemont Mining, Mr. Gill was the VP of Business Development and Director as well as the President & CEO, Chief Financial Officer and Corporate Secretary. Mr. Gill's history includes providing advice on health and safety issues and Workers' Compensation matters to individuals and businesses.

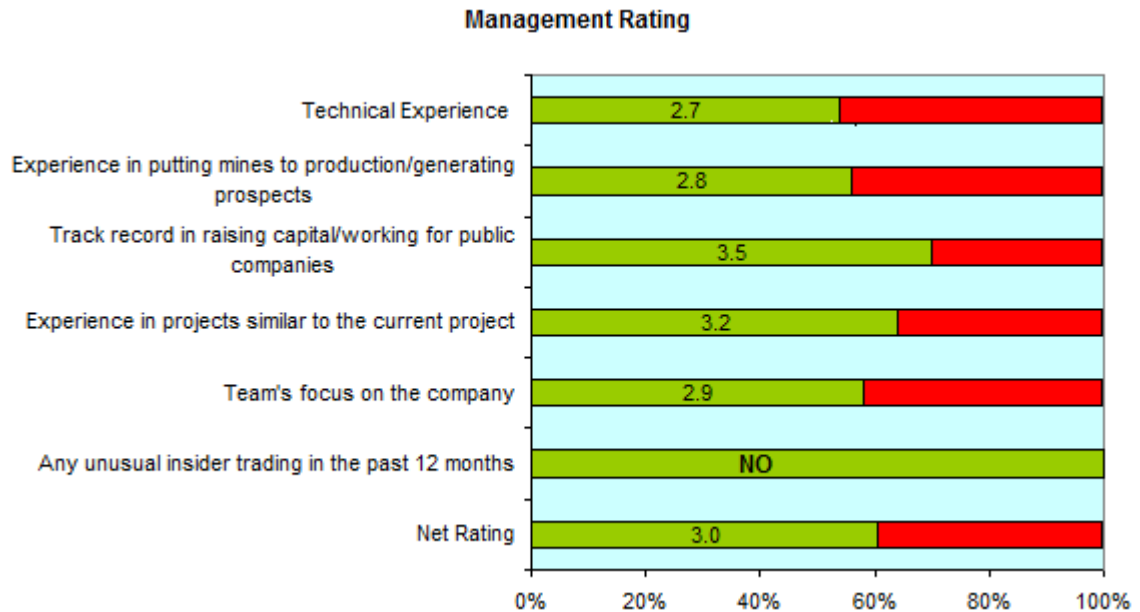
**Jacqueline Michael, CFO** – Ms. Michael has over 20 years of financial and administrative experience. In 1988, Ms. Michael co-founded The Conac Group, a software development company for construction management, where she acted as President. In 1997, Ms. Michael took The Conac Group public on the CDNX Exchange. Ms. Michael has acted as the President and Chief Executive Officer for public companies for over 10 years. Ms. Michael was successful in restructuring and cleaning up Lomiko Enterprises Ltd., a public shell company on the TSX Ventures Exchange which was renamed Lomiko Resources Inc. when the company went into the mining resource sector in 2006.

**Melvin Rokosh, Director** – Mr. Rokosh was the Chief Financial Officer and Vice President Development of Kongsberg Mesotech Ltd., a Canadian subsidiary of Kongsberg Gruppen A.S.A., a Norwegian public company in the business of designing and manufacturing underwater acoustic equipment, from April 1988 to February 2007.

**Julius Galik** – During the past 7 years, Mr. Galik has been instrumental in the development and financing of various small capitalized companies, both private and public. A businessman and financial advisor with PFSL, he has been Mutual Fund Licensed since 2001. During 2006-2007 he served as a director of Dorex Minerals Inc. He has been involved in start-up situations within the mining exploration industry in Western Canada since 2002, and brings strong leadership mediation and negotiation skills to the Board, as well as many years of financial experience.

### **Management Rating**

We believe that one of the most important aspects of a junior mining company is its management. Therefore we have developed a management rating system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for Lomiko (see below) is 3.0 out of 5.0, which we have rated average.**



### **Strength of Board**

The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder.

In this section, we present our strength of board rating for Lomiko Metals Inc., which uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Committee.

Lomiko Metals Inc.’s Board of Directors is made up of 4 individuals: A. Paul Gill, Jacqueline Michael, Melvin Rokosh and Julius Galik. None of the directors have filed for personal bankruptcy. A. Paul Gill, Jacqueline Michael and Melvin Rokosh hold shares in the company. The related/non-independent directors are A. Paul Gill and Jacqueline Michael as they are executive officers of the company and receive compensation. The Audit Committee is made up of Jacqueline Michael, Melvin Rokosh and Julius Galik. The company does not have a compensation committee at this time.

### **Outlook on Gold**

We believe LMR’s value at this time depends more on gold prices (versus lithium prices) as the Vines Lake project is relatively more advanced than the lithium properties. We have maintained our positive near-term outlook on gold prices, and believe prices will stay strong



primarily because we expect investment demand to continue to stay strong (amidst softening demand for other applications), with no major increase in supply. The reason why we believe investment demand will stay strong is because we expect the US\$ to depreciate with respect to major global currencies due to the recession, and negative real interest rates in the U.S., and as we believe inflationary pressures in the U.S. will be instigated by large stimulus packages, and low interest rates.

Our forecasts are US\$950/oz for 2009, US\$875/oz for 2010, and US\$750/oz for 2011.

**Long-term (2012+) price forecast** - Our long-term price forecast, is based on the relationship between the price of gold (during 1980 –2008) and several other independent variables, including the US\$, inflation, global annual mine production growth, oil prices, etc. Based on the relevant factors, we arrived at a long-term gold price forecast of US\$600/oz. We expect prices to converge to our long-term forecast, as the US economy recovers and investor confidence improves. Both these factors will result in a drop in investment demand for gold as investors move their capital from ‘capital preservation’ assets to investments with higher expected returns.

### **Financials**

At the end of April 2009, the company had cash and working capital of \$0.23 million and \$0.23 million, respectively. LMR posted a net loss of \$0.36 million in the 9-month period ended April 2009. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.10 million per month in the first 9 months of FY2009, compared to \$0.04 million per month in FY2008 (12 month period). The table below shows the company’s cash position and liquidity ratios.

<u>(in C\$)</u>	<u>2007</u>	<u>2008</u>	<u>2009 (9 mo)</u>
Working Capital	64,676	400,997	228,271
Current Ratio	9.73	32.59	185.69
LT Debts/ Assets	-	-	-
Burn Rate Per Month	(23,607)	(44,139)	(99,905)
Cash from financing activities	342,600	823,100	463,200

**Stock Options and Warrants:** At the end of October 2008, the company had 3.02 million stock options and warrants outstanding, with exercise prices between \$0.10 and \$0.125 per share, and expiry dates between August 2009 and July 2013.

**Conclusion:** We believe the company has sufficient cash on hand to fund its working capital and administrative costs for the rest of the year. However, Lomiko will have to raise funds through external financing for exploration.

### **Valuation & Rating**

We typically value early stage exploration projects based on their resource estimates, or the book value of their mineral assets. As LMR’s projects do not have any resource estimates, and the book values of its mineral assets are very low (for example, the book value of the Vines Lake project, at the end of April 2009, was only \$0.14 million), we are initiating coverage on LMR with no Rating or Fair Value. We intend to assign a value as soon as we see more progress on the Vines Lake/Lithium properties.

**Risks** The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company's projects are in very early stages and have no resource estimates.
- The success of drilling, project development, and resource expansion are important long-term success factors for the company.
- Access to capital and share dilution

**We rate the company a RISK of 5 (Highly Speculative).**

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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